

WOOLWORTHS HOLDINGS LIMITED

2016 REPORT OF THE SOCIAL AND ETHICS COMMITTEE

I am pleased to present the report of the WHL social and ethics committee and wish to highlight the manner in which the committee has overseen the Group's corporate citizenship obligations and the manner in which the committee has discharged its responsibilities in respect of the 2016 financial year.

As a responsible corporate citizen, our commitment to ethical leadership and the demonstration of sound corporate governance practices remains underpinned by the Group's values. The Group values present the Board with a foundation which forms the basis on which the Group operates. We insist on the same values based behavior on the part of our contractors, suppliers and other stakeholders with which we do business.

HIGHLIGHTS OF THE 2016 FINANCIAL YEAR

The committee approved a three year rotational workplan in August 2015. In terms of the plan, the committee oversees a range of relevant areas however with an emphasis on one key strategic theme in each quarter. During the year under review the committee covered the following key focus areas:

- Supply Chain Transformation;
- Human Capital Transformation;
- Stakeholder Engagement; and
- Aligning Woolworths' transformation with the revised BEE Codes.

1. Social Development – Donations to communities

- The Group's social development strategy is aligned both to our core business strategy and to national development priorities with a focus on the communities within which we operate.
- We strive to make a meaningful difference through the activities of The Woolworths Trust, the Making the Difference programme and The MySchool MyVillage MyPlanet programme in South Africa.
- Our expansion to Australia and New Zealand through our DJ and CRG acquisitions has created an opportunity to expand the reach of our brand through CSI. Plans are in place to consolidate the community involvement activities in the rest of the African countries.
- We acknowledge that the countries in which we operate have different social contexts and therefore require different approaches to making meaningful contributions to the communities we impact.
- This work continues to contribute to building the Group's social equity.
- The total WHL social contribution across the Group's geographies during the 2016 financial year amounted to R693m (FY2015: R636m).

2. Human Capital Transformation

- Employment Equity and Transformation strategies have been reviewed within the South African context and progress monitored against targets. As at the end of June 2016, the Group employed 43140 people. This comprises of 31631 employees in WSA, the majority of these in South Africa, 5964 employees in DJ and 5545 employees in CRG. The expanded Group creates opportunity for employees to gain experience across Africa and Australasia which presents opportunities to further develop the Group's talented employees.
- Skills development has been and continues to be a key strategic focus area. The business over achieved on the skills development plan and launched further skills development initiatives to drive our transformation agenda. Woolworths won the Wholesale and Retail Sector Education Training Authority (W&RSETA) Good Practice Award in the 'Enterprise: Super Large Retail Category' for 2016.
- Woolworths successfully ran the 3rd instalment of the INSIDE RETAIL Programme. This lecturer capacitation programme is run in partnership with the Department of Higher Education and Training to equip lecturers that teach retail related subjects with the practical know-how in order to equip their students with the skills required in the retail sector. The programme has been very successful in positioning retail as a career of choice and has been a successful model of partnership and collaboration with government.

3. **B-BBEE**

- Two years into implementing the revised B-BBEE Codes, Woolworths is a level 6 contributor. We anticipate that this rating may be negatively impacted in the new financial year as our supplier base go through revised verification exercises. However the Group is endeavoring to assist these suppliers through education and awareness of the requirements of the revised B-BBEE Codes.
- As part of the Woolworths' supply chain transformation programme, an amount of R80 million was allocated for Enterprise and Supplier Development ("ESD") loans. The ESD loans are one of the tools and aids provided to black SMMEs in developing them to become growing and sustainable businesses. Woolworths prides itself in providing the most needed indirect and direct procurement opportunities to SMMEs and coaching them as they grow within the Woolworths supply chain. This ESD programme is maturing with great success, lessons have been learnt along the way which have resulted in meaningful and value adding partnerships forged to support and sustain the programme for the benefit of the small black-owned businesses in the programme. The success of this programme is measured in the conversion rate from the ESD programme to becoming sustainable suppliers to Woolworths.

4. **Sustainability**

- All environmental matters are monitored through our Sustainability Committee, which ensures that the sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner.
- WHL has been included in the FTSE/JSE Responsible Investment Index for 2016/7 as well as the Dow Jones Sustainability Index (DJSI), a globally respected sustainability index for 2016. WHL is one of only five South African-listed companies that has been included on this index, and is also included in the DJSI Emerging Markets Sustainability Index.
- Woolworths won the Corporate Citizenship Award at the 14th Annual National Business Awards as well as being Highly Commended for the Sustainability Award.
- DJ received a B- in the 2016 Baptist World Aid Australian Fashion Report. A report that grades the efforts made by fashion brands to mitigate the risks of forced labour, child labour and worker exploitation in the supply chain. Eighty seven companies were assessed each being awarded a grade from A to F based on the strength of their labour rights management systems. The median achieved being a C- rating.
- CRG received a B+ in the 2016 Baptist World Aid Australian Fashion Report.

5. **Health and Public Safety (and Customer complaints)**

- The Committee continues to review compliance with applicable consumer and health & safety laws and is leveraging off the experience in Australia to further develop processes.
- Health and public safety matters are considered in some detail and the Group's compliance department actively monitors the Group's compliance with the relevant legislation.
- All customer complaint matters were timeously managed and we assure our customers and shareholders that we have reviewed our quality checking processes where appropriate.

6. **Human Rights Declarations**

The Group is committed to monitoring that both WHL and our suppliers operate in a way that respects workers' rights, maintains safe working conditions, upholds local employment laws and protects the environment and the welfare of animals.

7. **Consumer Relations**

Woolworths retained its position as South Africa's most reputable retailer for the third consecutive year in the annual Reputation Institute's (RI) National Reptrack™ Pulse survey for 2016.

The Committee is confident that it has discharged its responsibilities appropriately. There has been no material non-compliance with legislation or regulations or non-adherence with codes of best practice in terms of the areas within the committee's mandate during the year under review. As such, we are satisfied that the Group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development. The committee is satisfied that the business is conducted in a manner that reflects the Group's core values.

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